

1 Joseph Rebein, (Admitted *Pro Hac Vice*)
2 SHOOK, HARDY & BACON L.L.P.
2555 Grand Boulevard
3 Kansas City, Missouri 64108
4 Telephone: 816-474-6550
Facsimile: 816-421-5547
jrebein@shb.com

6 Tammy B. Webb, SBN 227593
7 John K. Sherk III, SBN 295838
SHOOK, HARDY & BACON L.L.P.
8 One Montgomery, Suite 2700
San Francisco, California 94104
9 Telephone: 415-544-1900
Facsimile: 415-391-0281
tbwebb@shb.com
jsherk@shb.com

12 *Attorneys for Defendant*
13 Union Pacific Railroad Company

14 UNITED STATES DISTRICT COURT

15 CENTRAL DISTRICT OF CALIFORNIA

16 In re SFPP Rights-of-Way Claims

Case No. 8:15-cv-00718-JVS-DFMx

18 **UNION PACIFIC RAILROAD**
19 **COMPANY'S RESPONSE TO KINDER**
20 **MORGAN'S BRIEF ON ISSUES**
21 **RAISED BY PLAINTIFFS' MOTION**
22 **FOR PARTIAL DISMISSAL OF**
23 **DEFENDANT UNION PACIFIC**
RAILROAD COMPANY'S
COUNTERCLAIMS

TABLE OF CONTENTS

	Page
I. INTRODUCTION	1
II. ARGUMENT	1
A. Kinder Morgan Misstates the Holding of the Rents Decision	1
B. Kinder Morgan Mischaracterizes the Trial Court Record.	2
1. The Congressional Acts Issue Was Not Actually Litigated in the Rents Case.	2
2. Union Pacific Was Denied a Full and Fair Opportunity and Motive to Litigate the Congressional Acts Issue in the Rents Case, Including Railroad Purposes.	6
3. No Final Decision on the Merits Has Been Reached in the Rents Case.	9
C. The Rooker-Feldman Doctrine is Inapplicable.	10
III. CONCLUSION	12

TABLE OF AUTHORITIES

	Page(s)
CASES	
<i>Border Bus. Park, Inc. v. City of San Diego,</i> 142 Cal. App. 4th 1538 (2006).....	10
<i>Exxon Mobil Corp. v. Saudi Basic Indus. Corp.,</i> 544 U.S. 280 (2005).....	10, 11
<i>Groves v. Peterson,</i> 100 Cal. App. 4th 659 (2002), as modified (Aug. 9, 2002)	6
<i>Lance v. Dennis,</i> 546 U.S. 459 (2006).....	11
<i>Lewis v. YouTube, LLC,</i> 244 Cal. App. 4th 118 (2015).....	6
<i>Skinner v. Switzer,</i> 562 U.S. 521 (2011).....	10
<i>Trope v. Katz,</i> 11 Cal. App. 4th 287 (1995).....	7
<i>Union Pac. R.R. Co. v. Santa Fe Pac. Pipelines, Inc.,</i> 231 Cal. App. 4th 134 (2014).....	1, 6, 7, 8
<i>Yu v. Signet Bank,</i> 103 Cal. App. 4th 298 (2002).....	9
OTHER AUTHORITIES	
Restatement (Second) of Judgments § 13 (1982)	9

1 **I. INTRODUCTION**

2 After full briefing on Plaintiffs' Motion for Partial Dismissal of Defendant Union
 3 Pacific Railroad Company's Counterclaims, Kinder Morgan filed a Brief on the issues raised
 4 by Plaintiffs' Motion. (Doc. No. 151). Kinder Morgan, like the Plaintiffs, now seeks to
 5 preclude this Court at the pleadings stage from determining the threshold merits issue of the
 6 parties' respective rights under the pre-1871 and 1875 Congressional land grant statutes
 7 raised in Union Pacific's Counterclaim (Doc. No. 135, Counts I and II). Union Pacific files
 8 this response, because Kinder Morgan's Brief misstates the holding of the Rents Decision,
 9 mischaracterizes the underlying trial court record, and incorrectly seeks to invoke the
 10 *Rooker-Feldman* doctrine as an entirely new basis for dismissal.

11 **II. ARGUMENT**

12 The parties agree on the relevant law governing issue preclusion in California. The
 13 parties' disagree whether three elements of issue preclusion have been met—namely,
 14 whether (1) the Congressional Acts issue was *actually* litigated in the Rent action;
 15 (2) Union Pacific had a full and fair opportunity and motive to litigate the Congressional
 16 Acts issue in the Rents case; and (3) the Rents Decision is final and on the merits.

17 **A. Kinder Morgan Misstates the Holding of the Rents Decision.**

18 First, Kinder Morgan misstates the holding of the Rents Decision. The Rents case
 19 involved a private contractual dispute to determine the fair market value of rent due from
 20 Kinder Morgan to Union Pacific. Whether the Rents Decision is a “landmark opinion,” as
 21 Kinder Morgan announces (Doc. No. 151 at 1), is at best an exaggeration and in any event
 22 irrelevant to the issues raised on Plaintiffs' Motion. On its face, the Rents Decision “merely
 23 hold[s] that . . . the pre-1871 and 1875 Congressional Acts, by themselves, did not convey a
 24 sufficient property interest to the Railroad to justify it collecting rent on the Pipeline's
 25 subsurface easements.” *Union Pac. R.R. Co. v. Santa Fe Pac. Pipelines, Inc.*, 231 Cal. App.
 26 4th 134, 209 (2014). In the same breath, the Rents Decision expressly disclaims any ruling
 27 as to the validity of the easements granted as a whole. *Id.* As discussed below, Union
 28 Pacific disputes that even the limited issue whether the Congressional Acts provide Union

1 Pacific with sufficient rights to collect rent on the Pipeline easements actually was litigated
 2 in the Rents case. Kinder Morgan's argument to expand the scope of the Rent Decision to
 3 reach Union Pacific's rights to grant the Pipeline's easements in the first place (Doc. No. 151
 4 at 9) has no basis in the Rents Decision or otherwise. The relief Union Pacific seeks in its
 5 claims for declaratory judgment and quiet title—a judicial determination of the rights and
 6 responsibilities of the parties of the real property in question and to quiet title in the real
 7 property in question—is outside the narrow scope of the Rents Decision.

8 **B. Kinder Morgan Mischaracterizes the Trial Court Record.**

9 **1. The Congressional Acts Issue Was Not Actually Litigated in the
 10 Rents Case.**

11 During the Rents case, Kinder Morgan expressly and repeatedly disclaimed any
 12 challenge to Union Pacific's right to collect rent from Kinder Morgan on easements on
 13 Congressional Act lands. *See, e.g.*, Doc. No. 148 at 9-10. The only "property interests"
 14 challenged by Kinder Morgan and litigated in the Rents case were: (1) whether Union
 15 Pacific's lack of full fee title should affect the fair market *valuation* of the rent due;
 16 (2) whether Union Pacific was able to reserve sufficient property interest on properties it had
 17 *sold* to third parties to allow it to continue to collect rent from Kinder Morgan for the
 18 pipeline easement; and (3) whether Union Pacific had produced sufficient evidence of its
 19 title to the properties through title cards and other evidence.

20 The filings cited by Kinder Morgan in its Brief unequivocally demonstrate that the
 21 issues raised in Union Pacific's Counterclaim were never raised, much less litigated, during
 22 the trial of the Rents case.¹ For example, many of the filings now relied upon by Kinder
 23 Morgan raised the issue of title imperfections only in the context of arguing that Union
 24 Pacific's lack of full fee title should lower the fair market value of the rent payable on such

25 ¹ Kinder Morgan cites its Answer to Union Pacific's Petition for Rehearing and its Answer
 26 to Union Pacific's Petition for Review to the California Supreme Court (Exs. 12 and 14),
 27 which in turn cite various pleadings in the appellate record. Union Pacific cites to the actual
 pleadings referenced by Kinder Morgan and uses the same labeling system for ease of
 reference.

1 easements, while expressly disclaiming any challenge to Union Pacific's right to collect rent
 2 on those properties:

- 3 • Kinder Morgan cites 1SR-1-19 (attached as Ex. A), Union Pacific's
 4 Notice of Motion and Motion in Limine to Exclude Evidence Regarding
 5 Union Pacific's Title, in which Union Pacific sought to exclude evidence
 6 of title defects as irrelevant, and argued that there was no evidence that
 7 Union Pacific's title was anywhere insufficient to grant the easements.
Id. at SR 8. Kinder Morgan fails to point out its response to that motion
 8 in which it disclaimed any effort to dispute Union Pacific's ability to
 9 charge some quantum of rent, and asserted that title defects were relevant
 10 only to the fair market valuation issue: "**SFPP is not arguing that it is
 11 absolved from paying rent because Union Pacific has defective title,
 12 and Union Pacific has of course not sued in this action for
 13 nonpayment of rent. Instead, the present case is a contractually
 14 agreed-to adversarial proceeding to set *fair market value going
 15 forward*. SFPP does not dispute that it has to pay some amount of
 16 rent to Union pacific; the issue being tried is what is *fair market rent*.**"
Id. at SR 13-14 (emphasis in original);
- 17 • Kinder Morgan cites 1SR 146-210 (attached as Exhibit B), Union
 18 Pacific's Notice of Motion and Motion to Strike Evidence Regarding
 19 Status of Union Pacific's Title in Subject Property, in which Union
 20 Pacific pointed out that its title, whether in fee or easements, was
 sufficient as a matter of law to grant the subject easements. *Id.* at 164-66.
 Kinder Morgan neglects to append its response to that Motion in which it
 agreed, and disclaimed any intention to challenge Union Pacific's right to
 charge rent for these easements: "**But the first portion of Union
 21 Pacific's argument proceeds from a fundamental misunderstanding
 22 of Defendant's title position. Defendants do not challenge Union
 23 Pacific's ability to grant easements on railroad land that it has not
 24 sold or otherwise transferred. Defendants rather contend that the
 25 hodge-podge of Union Pacific's title interests in its right-of-way—
 much of which is admittedly far less than full fee ownership—creates a
 material risk that depresses the fair market value of the subject
 property.**" Defendant's Opposition to Union Pacific's Railroad
 Company's Motion to Strike Evidence Regarding Union Pacific's
 Inadequate Title, *Id.* at SR 169-193 at 182-83;
- 26 • Kinder Morgan cites SR211-233 (attached as Exhibit C), Defendant's
 27 Reply in Support of Motion for Judgment or, In the Alternative, to Strike
 the Expert Testimony of John Donahue and Randy Seale. But Kinder
 Morgan fails to direct this Court's attention to the part of its Reply in
 which it expressly disavows any challenge to Union Pacific's right to
 charge rent for the easements in issue: "**Defendants do not claim that
 28 Union Pacific lacked title to grant the easements (though that may
 well be true). Instead, we advance a simple proposition rooted both in
 common sense and California law: good (or poor) title affects the fair
 market value of property.**" *Id.* at SR 217.
- Kinder Morgan's Exhibit 3 at p. 7: Kinder Morgan argued in its
 Opposition to Union Pacific Railroad Company's Motion in Limine to

Exclude Evidence Regarding Union Pacific's Title that evidence of Union Pacific's title was relevant only in determining the market value of rent due, not whether rent could be charged at all. But, Kinder Morgan omits the following sentence from the language it highlights: "**Evidence of Union Pacific's title interest is relevant to the market value of rent and should be allowed.**"

Other filings now cited by Kinder Morgan address the issue of whether Union Pacific could continue to charge rent for easements on property it had sold or abandoned by reserving an easement on the alienated land:

- RA 154-199 (attached as Ex. D), Union Pacific's Motion for Judgment on Kinder Morgan's Cross Complaint, at RA 160 (arguing that the “**weight of the evidence shows that Union Pacific is entitled to collect rent for the small portions of the subject pipeline easement that have been sold or allegedly abandoned**”);
 - AA 251-276 (attached as Ex. E), Revised Ruling on Union Pacific's Motion for Judgment on Kinder Morgan's Cross Complaint and Kinder Morgan's Motion Regarding Union Pacific's Reservations of Easements, at AA 252 (“**Kinder Morgan contends that whenever the Railroad transferred its ownership interest it thereby terminated its right to collect rents for easements occupied by the Pipeline.**”);
 - SR20-145 (attached as Ex. F), Kinder Morgan's Motion for Judgment, at SR 24 (arguing that “**there are many miles of the Pipeline's easement – totaling millions a year in demanded rents – where public documents affirmatively show that the Railroad has long since disposed of the land through which the easements run and thus did not own the servient estates as of the valuation date.**”);
 - SR 91-97 (attached as Ex. G), [Proposed] Cross Claim for Declaratory Relief, at SR 96 (“**Kinder Morgan desires a judicial determination of its rights and obligations to pay rent to Union Pacific for Kinder Morgan easements located on land that, as of January 1, 2004 or at any time thereafter, Union Pacific did not own, including any land transferred or abandoned by the Railroad.**”);
 - SR 234-88 (attached as Ex. H), Defendant's Opposition to Union Pacific's Motion for Judgment on Kinder Morgan's Cross Complaint, at SR 238 (“**Union Pacific appears to have finally realized that it cannot legally reserve an easement on an easement, i.e., cannot do the thing that many of its documents in fact do.**”);
 - RA 131-153 (attached as Ex. I), Defendant's Motion for a Determination That Union Pacific's Purported “Reservations” Of New Easements When Selling Subject Property Do Not Authorize It To Collect Rent From Defendants For Their Preexisting Easements.
 - Kinder Morgan's Exhibit 4 at p. 1: In Kinder Morgan's Motion for Judgment, it sought judgment not on the basis that Union Pacific had failed to prove that the Congressional Acts provided it with sufficient

1 interests to grant easements to the Pipeline, but only on the basis that
 2 Union Pacific could not charge rent for easements in land it had
 3 abandoned or alienated/sold to third parties. “**As we show below, there
 are many miles of the Pipeline’s easement . . . where public
 documents affirmatively show that the Railroad has long since
 disposed of the land through which the easements run and this did
 not own the servient estates as of the valuation date.**”
 4

5 Kinder Morgan also cites to the filings in support of its Renewed Motion for
 6 Judgment. Doc. No. 151 at 8. But these filings demonstrate that Kinder Morgan disclaimed
 7 at the trial court level any argument that the Congressional Acts failed to provide Union
 8 Pacific with sufficient property rights to collect rent on the pipeline easements:

- 9 • Kinder Morgan’s Exhibit 5: In Kinder Morgan’s Motion for Judgment, or,
 10 Alternatively to Strike Testimony of Union Pacific’s Appraisers, Kinder
 11 Morgan never argued that Union Pacific lacked adequate rights to grant
 12 easements, but merely pointed out in a footnote that some authorities
 13 indicate that grants to railroads convey a mere easement rather than a
 14 possessory interest. Instead, Kinder Morgan contended that Union Pacific
 15 had failed to provide sufficient evidence of its title, or in the alternative,
 16 that the Court should strike Union Pacific’s appraisal experts who, Kinder
 17 Morgan argued, had assumed Union Pacific owned each parcel in fee;
- 18 • RA75-97 (attached as Ex. J): In its Opposition, Union Pacific argued,
 19 among other issues, that the easements conferred by the Acts of Congress
 20 were as a matter of law sufficient to grant the subject leases, whether it
 21 owned the parcels in fee or not. *Id.* at RA 91-93;
- 22 • SR 211-233 (Ex. C): In its Reply, Kinder Morgan not only failed to
 23 dispute Union Pacific’s assertion of its rights under the Acts of Congress,
 24 but specifically disclaimed any such argument: “**Defendants do not
 contend that Union Pacific did not have sufficient title to grant the
 subject easements. Rather Defendants only advance the common
 sense proposition, supported by California law, that the quality of
 title can negatively affect the fair market value of property.**” *Id.* at
 25 SR 230.
- 26 • The trial court denied Kinder Morgan’s Motion without ever reaching the
 27 issue of what rights were conferred by the Congressional land grants.
 28 Instead the trial court rejected the assertion that Union Pacific was
 29 required to prove title to every parcel of land in issue, found that Union
 30 Pacific had offered adequate evidence of its ownership, and rejected
 31 Kinder Morgan’s assertion that lack of fee title affected the fair market
 32 value of rent due. *See Ruling on Kinder Morgan’s Motion for Judgment,*
 33 or Alternatively, to Strike Testimony of Union Pacific’s Appraisers, and
 34 on Union Pacific’s Motion to Strike Evidence Regarding its Title
 35 (attached as Ex. K).

1 In its Brief, Kinder Morgan also inexplicably cites to its Motion for New Trial and its
 2 Motion to Vacate the Judgment. AA 509-550 (attached as Ex. L). However, neither of these
 3 documents claims error based on Union Pacific charging rent on Pipeline easements on
 4 Congressional Act land, because this issue was never challenged or litigated.

5 Any notion that Union Pacific's title was briefed "extensively" on appeal also is
 6 wrong. *See* Doc. No. 151 at 8. As Union Pacific noted in its Opposition to Plaintiffs' Motion,
 7 the court of appeal allowed only limited briefing after oral argument and no opportunity to supplement the record. *See* Doc. No. 148 at 4, citing Ex. B. Each party was
 8 allowed 15 double-spaced pages to address the court of appeal's post-argument questions,
 9 and 10 double-spaced pages in reply. And while Kinder Morgan was granted leave to
 10 supplement the record with certain letters from Southern Pacific railroad lawyers from the
 11 1950s to 1970s that had been referenced but not necessarily all admitted during the trial, *see*
 12 *Union Pac. R.R. Co.*, 231 Cal. App. 4th at 155 n.8, Union Pacific could not augment the
 13 record with additional evidence, for example, of the pipeline furthering a railroad purpose,
 14 because railroad purpose was not an issue during the trial below. *See Lewis v. YouTube,*
 15 *LLC*, 244 Cal. App. 4th 118, 123 (2015) ("Augmentation does not function to supplement
 16 the record with material not before the trial court."). Nor was Union Pacific required to seek
 17 leave to do so in order to defeat the application of issue preclusion. *See Groves v. Peterson,*
 18 100 Cal. App. 4th 659, 688-89 (2002), *as modified* (Aug. 9, 2002).

20 **2. Union Pacific Was Denied a Full and Fair Opportunity and Motive
 21 to Litigate the Congressional Acts Issue in the Rents Case,
 22 Including Railroad Purposes.**

23 Union Pacific was denied a full and fair opportunity and motive to litigate the
 24 Congressional Acts issue in the Rents case, because this issue was not raised, much less
 25 litigated, there. In its Brief, Kinder Morgan argues that Union Pacific's property rights under
 26 the Congressional Acts were not raised *sua sponte* by the court of appeal, however, it is
 27 uncontested that the trial court did not address even the limited issue whether the
 28 Congressional Acts provide Union Pacific with sufficient property rights to collect rent from

1 Kinder Morgan. As noted above, Kinder Morgan at most argued that Union Pacific had not
2 offered adequate evidence of its title to support its case. *See* Ex. F at SR 102. The question
3 of Union Pacific's right to collect rent on easements on Congressional Acts property
4 unsurprisingly was not appealed and neither party was prepared to address it when the court
5 of appeal first broached the issue at oral argument. 231 Cal. App. 4th at 155 (noting that
6 "counsel for either side did not appear fully prepared to respond to this inquiry.").²

7 Similarly, Union Pacific never was afforded the opportunity to submit evidence
8 demonstrating how the pipeline—as actually used by Union Pacific to provide fuel to its
9 locomotives—furthers a railroad purpose under the Congressional Acts. At trial, Union
10 Pacific had no means of knowing that this was an issue requiring evidence. Kinder Morgan
11 now asserts that Union Pacific knew its title was in dispute throughout the trial. Doc. No.
12 151 at 9. But this is demonstrably false, as shown above, because Kinder Morgan expressly
13 disavowed any challenge to Union Pacific's right to collect rent for easements on
14 Congressional Act lands. As the trial court explained, there was "no evidence disputing that
15 the Railroad's title to virtually all of the subject property." 231 Cal. App. 4th 189.

16 The sole example of testimony on "railroad purpose" identified by the court of appeal
17 is testimony by one witness (Mr. Oakman) who testified that anything that enhanced value
18 for Union Pacific's shareholders is a railroad purpose. *Id.* at 174 n.21. Contrary to Kinder
19 Morgan's assertion, Union Pacific did not call a witness to testify about "railroad purpose."
20 Mr. Oakman was called by Kinder Morgan and the portions of his testimony that were cited
21 in the Rents Decision came in as part of Kinder Morgan's efforts to lay foundation for its
22 expert theory that less than fee title affects the fair market value of the easements. *See*

23

24 ² Kinder Morgan attempts to assign significance to the denial of Union Pacific's Petition for
25 Rehearing to the court of appeal and Petition for Review to the California Supreme Court.
26 However, the California Supreme Court has held that the denial of Rehearing and/or Review
27 is not afforded any legal significance. *E.g., Trope v. Katz*, 11 Cal. App. 4th 287, 288 n.1
(1995) ("It is well established that 'our refusal to grant a hearing in a particular case is to be
given no weight insofar as it might be deemed that we have acquiesced in the law as
enunciated in a published opinion of a Court of appeal when such opinion is in conflict with
the law as stated by this court.'").

1 Defendants' Reply in Support of Motion for Judgment, or, In the Alternative, to Strike the
2 Expert Testimony of John Donahue and Randy Seale at SR 219, 220 (citing Mr. Oakman's
3 testimony in support of Kinder Morgan's valuation argument) (Ex. C). The trial court
4 rejected this theory, however, putting the issue to rest without ever having to consider
5 whether or not the subject pipelines constituted a "railroad purpose." *See* 2AA443:21-444:1
6 (attached as Ex. M).

7 There is simply no support for Kinder Morgan's suggested expansive reading of the
8 court of appeal's analysis of the railroad purpose issue. At no point did the court of appeal
9 hold *as a matter of law* that under no factual scenario could the pipeline further a railroad
10 purpose; rather, it merely stated that, even if true, "the mere fact that the Railroad used fuel
11 from the Pipeline in its locomotives would not mean the pipeline easements themselves
12 served a railroad purpose." *Id.* at 166-67. The court of appeal made no ruling beyond this
13 "mere fact," and Union Pacific should be allowed in this case to submit evidence beyond this
14 "mere fact," including evidence on the extent to which Union Pacific relies on fuel provided
15 by the pipeline via dedicated facilities and the impact of that fuel on its operational costs and
16 logistics.

17 Nor is there any merit to Kinder Morgan's assertion that the court of appeal
18 "assumed" whatever facts Union Pacific might have been able to put into evidence on the
19 issue of railroad purpose. Union Pacific represented to the court of appeal that "[i]f given
20 the opportunity to present the evidence . . . not only would Union Pacific be able to show
21 that it receives enormous volumes of fuel from the pipelines at facilities on its rights-of-way,
22 but also that receipt of that fuel is necessary to the operation of the railroad and results in
23 substantial efficiencies for the railroad, among other facts supportive of the 'railroad
24 purpose' of the pipeline." Petition for Rehearing at p. 32 (attached as Ex. N). Instead of
25 giving Union Pacific that opportunity, the court of appeal simply concluded that Union
26 Pacific's representations about the use of the fuel would be consistent with the railroad
27 purchasing fuel from offsite terminals like any member of the general public—which would

1 be insufficient as a matter of law in the court of appeal's view. 231 Cal. App. 4th at 166-67.
2 In short, the court of appeal's conclusion on the railroad purpose issue is based upon a
3 hypothetical set of facts that is simply incorrect.

4 **3. No Final Decision on the Merits Has Been Reached in the**
5 **Rents Case.**

6 Kinder Morgan also argues that the Rents Decision is a final determination on the
7 merits because its pronouncements are now law of the case and therefore binding on remand.
8 However, law of the case has no bearing on whether the Rents Decision is a final decision on
9 the merits for purposes of determining issue preclusion. Indeed, the law of the case doctrine
10 provides that a court of appeal's determination of an issue of law is conclusive in subsequent
11 proceedings in the same case, unless new evidence is adduced on retrial, while issue
12 preclusion operates to bar relitigation of an issue of ultimate fact that was determined by a
13 valid and final judgment in a previous lawsuit. *Yu v. Signet Bank*, 103 Cal. App. 4th 298,
14 309 (2002).

15 Kinder Morgan relies on distinguishable authority in arguing that the Rents Decision
16 is final under issue preclusion. The authority relied upon by Kinder Morgan involves cases
17 where the court of appeal reviewed and issued an opinion (and remittitur) that ended the
18 litigation. *See* Doc. No. 151 at 11-13. None of the cases relied upon by Kinder Morgan
19 suggest that finality has been satisfied where an appeal court reverses and remands for
20 further proceedings, particularly where the trial court is expressly authorized to receive
21 additional evidence on retrial. None of the cases relied upon by Kinder Morgan addresses a
22 situation, like this one, in which a litigant has not yet had an opportunity to seek *any* federal
23 review of important issues of federal law, because there is not yet any final judgment from
24 the state courts sufficient to give the Supreme Court jurisdiction. Important issues of federal
25 law and policy cannot be decided, nationwide, by an interlocutory state court decision that is
26 not yet subject to federal review—particularly when the Department of the Interior, which

1 has articulated a precisely opposite understanding of the law in formal opinions going back
2 decades, has not been consulted.

3 A judgment is final for purposes of issue preclusion only where it “represents the
4 completion of all steps in adjudication of the claim by the court, short of any steps by way of
5 execution or enforcement that may be consequent upon the particular kind of adjudication.”
6 The Restatement (Second) of Judgments § 13 (1982). For purposes of issue preclusion, a
7 final judgment includes prior adjudication of an issue in another action “that is determined to
8 be sufficiently firm to be accorded conclusive effect.” *Border Bus. Park, Inc. v. City of San*
9 *Diego*, 142 Cal. App. 4th 1538, 1564 (2006) (quoting Restatement (Second) of Judgments §
10 13 (1982)). To determine whether a judgment is “sufficiently firm” California courts have
11 looked to certain factors in determining finality, including: (1) whether the parties were fully
12 heard, (2) whether the court supported its decision with a reasoned opinion, and (3) whether
13 the decision was subject to appeal or was reviewed on appeal. *See id.* at 1565.

14 As shown above, Union Pacific did not receive a full opportunity to be heard on its
15 interests in the Congressional Act issues nor did it receive a full opportunity to present
16 evidence in support of the pipeline furthering a railroad purpose. Moreover, because the
17 Rents case has been remanded for further proceedings and additional evidence in the
18 discretion of the trial judge, Union Pacific will have further opportunities to appeal to both
19 the California Supreme Court and the United States Supreme Court, if necessary. Because
20 Union Pacific’s direct appeals have not been exhausted, the Rents Decision is hardly
21 “sufficiently firm to be accorded conclusive effect.” *See id.*

22 **C. The Rooker-Feldman Doctrine is Inapplicable.**

23 The *Rooker-Feldman* doctrine, which Kinder Morgan raises in its Brief, is
24 inapplicable to Plaintiff’s Motion, because Union Pacific’s Counterclaim is not a *de facto*
25 appeal of the Rents Decision. Kinder Morgan misinterprets the *Rooker-Feldman* doctrine.
26 The *Rooker-Feldman* doctrine precludes a losing party in state court who complains of
27 injury caused by the state-court judgments from bringing a case seeking review and rejection

1 of that judgment in federal court. *See, e.g., Exxon Mobil Corp. v. Saudi Basic Indus. Corp.*,
2 544 U.S. 280, 291–92 (2005); *see also Skinner v. Switzer*, 562 U.S. 521, 532 (2011)
3 (emphasizing that the *Rooker–Feldman* doctrine is limited to cases “brought by state-court
4 losers . . . inviting district court review and rejection of the state court’s judgments.”)
5 (internal quotation marks, alteration, and citation omitted).

6 First, the court of appeal remanded the Rents case to the trial court for further
7 proceedings. Therefore, there is no final judgment which Union Pacific is seeking a federal
8 court to review and overturn. *See Exxon Mobil Corp.*, 544 U.S. at 291-92 (explaining that
9 *Rooker-Feldman* doctrine is appropriate in very few cases, and only when the losing party in
10 state court filed suit in federal court after the state proceedings ended, complaining of an
11 injury caused by the state court judgment and seeking review and rejection of that judgment).

12 Moreover, Union Pacific’s Counterclaim does not constitute a *de facto* appeal of the
13 Rents Decision. Contrary to Kinder Morgan’s contention, Union Pacific is not seeking any
14 relief from this Court that would operate to overturn the Rents Decision. *Exxon Mobil Corp.*,
15 544 U.S. at 291-92 (*Rooker-Feldman* doctrine is limited to circumstances where the loser in
16 state court proceeding was seeking to have the federal court overturn that judgment).
17 Instead, Union Pacific is seeking federal declaratory relief on issues that were not litigated in
18 the Rents case that is consistent with centuries of federal and state caselaw interpreting
19 Congressional land grant statutes, and the longstanding views of the Department of the
20 Interior, which are entitled to deference. That Union Pacific is asking this Court to reach a
21 different conclusion regarding the interpretation of a federal issue than Kinder Morgan
22 would like to read into the Rents Decision is hardly the same thing as asking this Court to
23 overturn the California court of appeal.

24 Finally, Kinder Morgan’s argument “erroneously conflates preclusion law with
25 *Rooker-Feldman* [but]. . . *Rooker-Feldman* is not simply preclusion by another name.”
26 *Lance v. Dennis*, 546 U.S. 459, 466 (2006). Attempts to relitigate an issue purportedly
27 determined by a state case are properly analyzed under issue or claim preclusion principles

1 rather than *Rooker-Feldman*. As explained by the Supreme Court, Congress has directed
2 federal courts to look principally at state law in deciding what effect to give state-court
3 judgments. *Id.* “Incorporation of preclusion principles into *Rooker-Feldman* risks turning
4 that limited doctrine into a uniform federal rule governing the preclusive effect of state-court
5 judgments, contrary to the Full Faith and Credit Act.” *Id.*

6 **III. CONCLUSION**

7 Plaintiffs’ Motion for Partial Dismissal of Defendant Union Pacific Railroad
8 Company’s Counterclaims and for a More Definite Statement (Doc. No. 139) should be
9 denied.

10

11 Dated: May 9, 2016

Respectfully submitted,

12

13 s/ Tammy B. Webb
14 Joseph Rebein, (Admitted *Pro Hac Vice*)
15 SHOOK, HARDY & BACON L.L.P.
16 2555 Grand Boulevard
Kansas City, Missouri 64108
Telephone: 816-474-6550
Facsimile: 816-421-5547
jrebein@shb.com

17

18

Tammy B. Webb
John K. Sherk, III
SHOOK, HARDY & BACON L.L.P.
One Montgomery, Suite 2700
San Francisco, California 94104
Telephone: 415-544-1900
Facsimile: 415-391-0281
jsherk@shb.com
tbwebb@shb.com

19

20

21

22

23

24

25

26

27

28